

PLANNING FOR THE FUTURE

You have concerns. A sound estate plan can help you rest easier. **By Kathleen Niew**

If you're like many of today's emerging, financially-empowered women, you worry more about your estate and financial future and agonize over how you can best remedy your concerns and anxieties.

And guess what? Some of those concerns are valid. Consider:

Women change jobs more frequently – or leave the workplace entirely at times. For a variety of reasons including, but not limited to, family obligations, women are likely to change jobs more frequently than their male counterparts. Many women may leave the workforce for a period of time to either have children of their own or to care for an ailing parent – and often return to a lesser-paying job than the one they left. When they drop out of the workforce, they permanently reduce the number of years they pay into Social Security, thus affecting their ultimate payout.

Women give up their jobs to follow their husband's careers. Women are most often the "trailing spouse" who gives up a job and benefits when a family must move because a spouse has been relocated. Even if women then take work at a similar pay level as before, they've lost time accrued at the original company. This can have a major impact on their 401(k) or other qualified plan growth, as in many companies employees must serve a "waiting period" prior to contributing to such plans.

Women live longer. The average American woman will outlive her male counterpart by seven years. Even for married clients, this is an important difference – 75 percent of widows currently living in poverty were not poor when their husbands died.

Women become caretakers to aging parents. More women than men are called upon to take care of their own or husband's parents and many wind up dropping out of the workplace to care for them. This can also have an affect on a woman's own health.

WHY ESTATE PLANNING?

Estate planning is a critical part of the financial planning process. In the estate planning process, you want to be assured that your assets, regardless of how large or small, go where you want them to go when you pass on. It's an ongoing lifetime process that includes planning for the care of your dependents.

Objectives of estate planning are personal. They may include:

- Financial security for your spouse or partner and/or yourself.
- Giving your spouse/partner as much responsibility and flexibility in managing the estate as they desire or are capable of while saving on potential taxes.
- Minimizing the costs and headaches of probate.
- Providing for minor children via guardianship if you were to predecease them.
- Ensuring that children are not left too many assets at an inappropriate age.
- Proving for enough liquidity so that assets do not have to be sold hurriedly to pay debts or estate taxes.
- Minimizing taxes at the time of death and estate taxes after death.
- Avoiding potential family conflicts and providing equitable treatment of children.
- Organizing important papers and records affecting your estate plan in a place known to family members and letting them know your overall estate plan.

DISTRIBUTING ASSETS

Your estate is everything you own in your own name and your share of anything you own with others. This includes the fair market value of the property and

personal property. It also includes investments, retirement benefits and life insurance policies.

You'll need to tally up your net worth, but the actual value of your estate is computed only after your death. Knowing now what your net worth is helps determine whether any estate taxes will be due and if there will be anything left for your heirs. More than likely, your net worth is not the same as that of your spouse/partner. Your net worth and estate inventory statement will indicate how much money you have to bequeath to your heirs and what your financial situation would be in the event of widowhood or divorce.

There are six common ways to distribute your assets:

- 1. Do nothing – or intestate.** The probate court distributes your estate according to the state's intestacy laws, which may not be what you wish or your family needs.
- 2. Create a will.** This is the most widely used method to distribute assets. It requires your heirs to file a petition in probate court to distribute your estate in accordance with your wishes. This process can be lengthy and is of public record.
- 3. Create a revocable trust (living trust).** A revocable trust is created during your lifetime and continues after your death. It enables you to stay in control of your assets and serves a variety of purposes including: avoidance of probate; management of assets in the event you become incapacitated; protection of your separate assets from a spouse's creditors; ease of passing property to your heirs; avoidance of multiple probates if you own real estate in more than one state; protection of privacy in your financial matters.
- 4. Establish joint ownership of assets.** Upon your death, your interest immediately is transferred to the surviving owner. There can be problems with this type of planning, including tax implications and subjecting your jointly held assets to the co-owner's debts and obligations.
- 5. Give away your assets.** What happens if you need the money later?
- 6. Designating beneficiaries,** which can be done with certain assets such as insurance policies and retirement plans; some bank accounts also allow you to name a beneficiary. When you die, these assets are paid directly to the person you named as beneficiary without having to go through probate court.

A little planning now to create a basic estate plan can help save money and ensure that your assets are distributed the way you wanted. Life and work are stressful enough. Having your affairs in order will provide peace of mind and let you rest easier.

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References: 1. Department of Education 2006 2. US Census by Annual Demographic Survey 2006 3. Bureau of Labor Statistics 2006

